



TOBACCO REGION REVITALIZATION COMMISSION

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF JULY 2025

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Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 19, 2025

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

James E. Campos
Executive Director, Tobacco Region Revitalization Commission

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Tobacco Region Revitalization Commission** (Commission). We completed the review on July 31, 2025. The purpose of this review was to evaluate if the agency has developed adequate internal controls over significant organizational areas and activities and not to express an opinion on the effectiveness of internal controls. Management of the Commission is responsible for establishing and maintaining an effective control environment.

The Auditor of Public Accounts has developed a process for auditing agencies that are not required to have an audit every year, which we refer to as "cycled agencies." Traditionally, we audit these agencies at least once every three years. We now employ a risk-based approach to auditing the cycled agencies. Under this approach, we perform an annual risk analysis for all cycled agencies considering certain criteria and divide the agencies into two pools. One pool will receive an annual audit, and the other pool will be subject to a review of internal controls in the form of a questionnaire. This letter is to communicate the results of the Internal Control Questionnaire review.

Review Process

During the review, the agency completes an Internal Control Questionnaire that covers significant organizational areas and activities including payroll and human resources; revenues and expenses; procurement and contract management; capital assets; grants management; debt; and information technology and security. The questionnaire focuses on key controls over these areas and activities.

We review the agency responses and supporting documentation to determine the nature, timing, and extent of additional procedures. The nature, timing, and extent of the procedures selected depend on our judgment in assessing the likelihood that the controls may fail to prevent and/or detect events that could prevent the achievement of the control objectives. The procedures performed target risks or business functions deemed significant and involve reviewing internal policies and procedures. Depending on the results of our initial procedures, we may perform additional procedures including reviewing evidence to ascertain that select transactions are executed in accordance with the policies and procedures and conducting inquiries with management. The “Review Procedures” section below details the procedures performed for the Commission. The results of this review will be included within our risk analysis process for the upcoming year in determining which agencies we will audit.

Review Procedures

We reviewed the Internal Control Questionnaire and supporting documentation detailing policies and procedures. As a result of our review, we performed additional procedures over the following areas: payroll and human resources; expenses; grants management; and information technology and security. These procedures included validating the existence of certain transactions; observing controls to determine if the controls are effectively designed and implemented; reviewing transactions for compliance with internal and Commonwealth policies and procedures; and conducting further review over management’s risk assessment process. Additionally, we evaluated the Commission’s process of completing and submitting attachments to the Department of Accounts.

As a result of these procedures, we noted areas that require management’s attention. These areas are detailed in the “Review Results” section below.

Review Results

We noted the following areas requiring management’s attention resulting from our review:

- The Commission has not formally adopted and implemented an appropriate information security standard. While the Commission is not required to follow the Commonwealth’s Information Security Standard, SEC530, it is important that the Commission adopt an industry recognized information security standard to ensure proper information security controls. The Commission should adopt and implement an information security standard, then complete and approve information security policies and procedures and ensure they align with the applicable control requirements in their adopted security standard. The Commission should also implement a process to ensure the policies and procedures remain current to protect its sensitive and critical data from unauthorized disclosure, corruption, and loss.
- The Commission did not document an evaluation of the information technology (IT) security audit report for its third-party hosted system. The Commission should have an adequate level of interaction with third-party providers to give the Commission an understanding of the providers’ internal control environments and any complementary user entity controls the Commission would need to implement. The Commission must also maintain oversight of the

provider to gain assurance over outsourced operations. The Commission should develop a formal process for reviewing IT security audit assessments and improve its policies and procedures over the evaluation and documentation of the reports to help ensure the protection of sensitive and mission critical data.

- The Commission has formal, documented policies and procedures over many of its significant business processes. However, during our review, we identified several critical business areas where the Commission should develop or improve policies and procedures to maintain an effective control environment. As a best practice, to ensure adequate internal controls exist over its financial operations, management should continue working to ensure detailed policies and procedures exist for all critical business areas. In addition, management should continue to develop a process to review and approve all policies and procedures either annually or as needed and maintain documentation of the process.
- The Commission relies on the Virginia Department of Agriculture and Consumer Services (Agriculture) to perform many of its financial functions based on a memorandum of understanding (MOU) established between the two agencies. The two agencies last updated the MOU in 2015, and it does not detail all functions performed, for example the MOU does not specify that Agriculture will track and maintain the Commission's leases within the Commonwealth's lease tracking system. The Commission should maintain an up-to-date MOU to ensure there are clearly defined responsibilities for both parties and all necessary areas are included within the MOU. The Commission should work with Agriculture to update its MOU. Additionally, management should perform a review of the MOU annually or when there are changes at the Commission to determine if any changes are needed.
- The Commission did not properly account for Subscription-Based Information Technology Arrangements (SBITAs) in accordance with Governmental Accounting Standards Board (GASB) Statement No. 96 nor record the necessary accounting information in the Commonwealth's lease accounting system. The Commission also does not have an established process for ongoing identification of SBITAs. GASB Statement No. 96 requires agencies to determine the necessary accounting information based on the contract to ensure proper classification of long-term and short-term SBITAs, and to evaluate explicit, implicit, and incremental borrowing rates before defaulting to the prime rate for a reasonable and accurate interest rate. Management should develop SBITA procedures that comply with GASB Statement No. 96 and properly record and classify SBITAs in the Commonwealth's lease accounting system in accordance with this standard.
- While the Commission completed reconciliations between the Commonwealth's human resources and payroll management system and the retirement benefits system, the Commission did not obtain and review all necessary exception reports to ensure it identifies and rectifies any exceptions that occur. The Virginia Retirement System (VRS) Employer Manual requires agencies to complete a timely review of the monthly reconciliation reports, and ensure any automated amounts are accurate, or the agency completed any corrective actions prior to confirming the snapshot to ensure complete, accurate, and timely payroll and

retirement deductions. The Commission should obtain and review all necessary reports each month in accordance with the VRS Employer Manual requirements prior to confirming the snapshot.

- The Commission indicated that it performed an annual system access review of its information system. However, the Commission did not document its system access review. The Commission also did not have approved system access policies. The Commission should annually perform and retain documentation of its system access review to ensure consistent and appropriate account management.
- The Commission did not fully complete a Site Visit Reporting Form to document the results of a grant recipient site visit. The Commission monitors its grant recipients and completes a standard site visit form nearing the end of select grant projects. However, during our review of a selected grantee, we noted that the Commission did not complete several elements of the site visit form. The Commission should complete these forms in full including specifying the party responsible for the site visit, the duration of the visit, and when the visit was recorded in the Commission's grants database.

We discussed these matters with management on August 4, 2025. Management's response to the findings identified in our review is included in the section titled "Agency Response." We did not validate management's response and, accordingly, cannot take a position on whether it adequately addresses the issues in this report.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

Sincerely,

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

JDE\clj



TOBACCO REGION REVITALIZATION COMMISSION

January 8, 2026

Ms. Staci Henshaw, Director
Auditor of Public Accounts (APA)
101 North 14th Street, 8th Floor
Richmond, VA 23219

Dear Ms. Henshaw:

Below you will find the Tobacco Region Revitalization Commission's responses to the ICQ Results Letter dated November 19, 2025 (received December 12, 2025). I have listed the findings identified by your auditors and our agency response to each finding.

- The Commission has not formally adopted and implemented an appropriate information security standard. While the Commission is not required to follow the Commonwealth's Information Security Standard, SEC530, it is important that the Commission adopt an industry recognized information security standard to ensure proper information security controls. The Commission should adopt and implement an information security standard, then complete and approve information security policies and procedures and ensure they align with the applicable control requirements in their adopted security standard. The Commission should also implement a process to ensure the policies and procedures remain current to protect its sensitive and critical data from unauthorized disclosure, corruption, and loss.

Agency Response: The Commission uses the NIST 800-171 security standard, which follows the SEC530 standard closely. The Commission has signed a new contract for IT services beginning July 1, 2025. This contractor will assist with completing information security policies and procedures and ensure alignment with applicable control requirements.

- The Commission did not document an evaluation of the information technology (IT) security audit report for its third-party hosted system. The Commission should have an adequate level of interaction with third-party providers to give the Commission an understanding of the providers' internal control environments and any complementary user entity controls the Commission would need to

implement. The Commission must also maintain oversight of the provider to gain assurance over outsourced operations. The Commission should develop a formal process for reviewing IT security audit assessments and improve its policies and procedures over the evaluation and documentation of the reports to help ensure the protection of sensitive and mission critical data.

Agency Response: The Commission's IT contractor will assist Commission staff in reviewing the provider's annual audit report. A formal policy will be developed for this process.

- The Commission has formal, documented policies and procedures over many of its significant business processes. However, during our review, we identified several critical business areas where the Commission should develop or improve policies and procedures to maintain an effective control environment. As a best practice, to ensure adequate internal controls exist over its financial operations, management should continue working to ensure detailed policies and procedures exist for all critical business areas. In addition, management should continue to develop a process to review and approve all policies and procedures either annually or as needed and maintain documentation of the process.

Agency Response: The Commission is in the process of updating its policies and procedures of all business processes, adding supplementary sections recommended by the APA. Reviews and updates will be documented as part of the process.

- The Commission relies on the Virginia Department of Agriculture and Consumer Services (Agriculture) to perform many of its financial functions based on a memorandum of understanding (MOU) established between the two agencies. The two agencies last updated the MOU in 2015, and it does not detail all functions performed, for example the MOU does not specify that Agriculture will track and maintain the Commission's leases within the Commonwealth's lease tracking system. The Commission should maintain an up-to-date MOU to ensure there are clearly defined responsibilities for both parties and all necessary areas are included within the MOU. The Commission should work with Agriculture to update its MOU. Additionally, management should perform a review of the MOU annually or when there are changes at the Commission to determine if any changes are needed.

Agency Response: The Commission will work with Agriculture to update its MOU and will review annually for any changes needed.

- The Commission did not properly account for Subscription-Based Information Technology Arrangements (SBITAs) in accordance with Governmental Accounting Standards Board (GASB) Statement No. 96 nor record the necessary

accounting information in the Commonwealth's lease accounting system. The Commission also does not have an established process for ongoing identification of SBITAs. GASB Statement No. 96 requires agencies to determine the necessary accounting information based on the contract to ensure proper classification of long-term and short-term SBITAs, and to evaluate explicit, implicit, and incremental borrowing rates before defaulting to the prime rate for a reasonable and accurate interest rate. Management should develop SBITA procedures that comply with GASB Statement No. 96 and properly record and classify SBITAs in the Commonwealth's lease accounting system in accordance with this standard.

Agency Response: In consultation with the Department of Accounts, the Commission determined it did not have any SBITA to report. Management will develop SBITA procedures to identify potential future SBITA classification. Commission employees cannot directly access the Commonwealth's lease accounting system but will work with Agriculture to enter SBITA as needed.

- While the Commission completed reconciliations between the Commonwealth's human resources system and the retirement benefits system, the Commission did not obtain and review all necessary exception reports to ensure it identifies and rectifies any exceptions that occur. The Virginia Retirement System (VRS) Employer Manual requires agencies to complete a timely review of the monthly reconciliation reports, and ensure any automated amounts are accurate, or the agency completed any corrective actions prior to confirming the snapshot to ensure complete, accurate, and timely payroll and retirement deductions. The Commission should obtain and review all necessary reports each month in accordance with the VRS Employer Manual requirements prior to confirming the snapshot.

Agency Response: DOA's Payroll Service Bureau, which processes the Commission's payroll and benefits, indicated that it had not sent the ECM VRS Billing Exceptions and Summary Reports because they were "working on catching these up." The VRS Cancelled Records Report will be run each month.

- The Commission indicated that it performed an annual system access review of its information system. However, the Commission did not document its system access review. The Commission also did not have approved system access policies. The Commission should annually perform and retain documentation of its system access review to ensure consistent and appropriate account management.

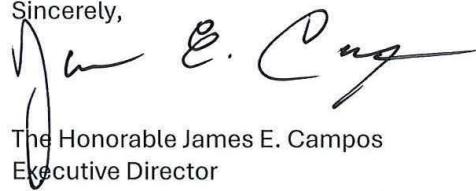
Agency Response: The Commission will continue reviewing system access and will document annual reviews and create policies for system access.

- The Commission did not fully complete a Site Visit Reporting Form to document the results of a grant recipient site visit. The Commission monitors its grant recipients and completes a standard site visit form nearing the end of select grant projects. However, during our review of a selected grantee, we noted that the Commission did not complete several elements of the site visit form. The Commission should complete these forms in full including specifying the party responsible for the site visit, the duration of the visit, and when the visit was recorded in the Commission's grants database.

Agency Response: The Commission has recently hired a Compliance Director, who is in the process of revising grants procedures and forms, including site visit forms. She will verify the process is completed fully and accurately.

The Commission staff appreciates the APA's review, providing the opportunity to further improve our processes. Most of these improvements are already underway, and we anticipate all of these issues being resolved over this calendar year.

Sincerely,

A handwritten signature in black ink, appearing to read "J. E. Campos".

The Honorable James E. Campos
Executive Director